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December 12, 2012

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Ms. Jocelyn Boyd
Chief Clerk and Administrator
South Carolina Public Service Commission
Synergy Business Park, The Saluda Building
101 Executive Center Drive
Columbia, South Carolina 29210

Re: Office of Regulatory Staff Petition to Review FCC Mandated
Reductions to Interstate Access Tariffs
Docket No. 2012-136-C

Dear Ms. Boyd,

By letter dated August 22, 2012, we informed the Commission on behalf of the South Carolina Telephone Coalition ("SCTC") about developments that had taken place at the federal level regarding the state proceeding referenced above. We advised the Commission that the Federal Communications Commission ("FCC") had initiated an investigation of the interstate access tariffs filed by SCTC member companies to implement universal service and intercarrier compensation reform.¹ At the time, we expected that the FCC would issue a designation order identifying the specific issues that would be the subject of the investigation, and that the majority if not all of the SCTC company tariffs would be cleared by the FCC prior to issuance of that order. Instead, when the FCC issued its *Designation Order*,² it stated that it would not clear any additional tariffs until the conclusion of its investigation.³

On August 29, 2012, the Commission issued its Order No. 2012-657 in this proceeding, allowing ORS to collect ILF contributions and withhold disbursement of the amount attributed to terminating switched access until the FCC concluded its investigation as it relates to ILF, and not later than December 15, 2012.

We are pleased to inform the Commission that, on December 3, 2012, the FCC issued its order terminating its investigation and clearing the tariffs of all

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¹ *In the Matter of July 3, 2012 Annual Access Charge Tariff Filings*, Order, DA 12-1037, WCB/Pricing No. 12-09 (rel. July 2, 2012) ("*Suspension Order*").

² *In the Matter of Investigation of Certain 2012 Annual Access Tariffs*, Order Designating Issues for Investigation, DA 12-1430, WC Docket No. 12-233, WCB/Pricing No. 12-09 (rel. August 31, 2012) ("*Designation Order*").

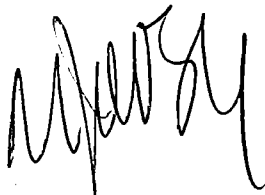
³ *Id.* at ¶ 1, fn 2.

SCTC member companies.⁴ A copy of the FCC's *Order Terminating Investigation* is attached hereto. Please note that Appendices A and B to the order list certain companies that have tariff issues still to be resolved. While some of those companies have names that are similar to South Carolina companies, they are not South Carolina companies.⁵ As you can see from the attached order, with respect to the SCTC member companies the FCC has concluded, among other things, that the amount of Base Period Revenue used in calculating Eligible Recovery was reasonably determined;⁶ that the Tariff Review Plans reflect reasonable calculation of intrastate rate reductions;⁷ that the projected interstate and intrastate switched access demand was reasonably estimated;⁸ and that the ARC rates are just and reasonable and therefore lawful.⁹ Thus, the FCC's investigation has been concluded as it relates to all South Carolina companies and ILF.¹⁰ Therefore, in accordance with Commission Order No. 2012-657, ORS may proceed to determine the manner in which contributed funds are returned, credited, or disbursed to the appropriate persons.

If you should have any questions about the information contained in this letter, please do not hesitate to contact me. We are serving all parties with a copy of this letter.

Very truly yours,

McNAIR LAW FIRM, P.A.



M. John Bowen, Jr.

cc: Parties of Record
F. David Butler, Esquire

⁴ *In the Matter of Investigation of Certain 2012 Annual Access Tariffs*, Order, FCC 12-147, WC Docket No. 12-233, WCB/Pricing No. 12-09 (rel. December 3, 2012) ("*Order Terminating Investigation*").

⁵ Farmers Telephone Company, Inc. (Study Area Code 462188), listed in Appendix A, is a Colorado company. Farmers Telecommunications Cooperative, Inc. (Study Area Code 250290), listed in Appendix B, is an Alabama company.

⁶ *Order Terminating Investigation* at ¶ 13.

⁷ *Order Terminating Investigation* at ¶ 17.

⁸ *Order Terminating Investigation* at ¶ 21.

⁹ *Order Terminating Investigation* at ¶ 29.

¹⁰ The FCC, by authority delegated to the Wireline Competition Bureau, had previously cleared the tariffs filed by CenturyLink, Frontier Communications, and Windstream Communications. See *In the Matter of July 3, 2012 Annual Access Charge Tariff Filings*, Order on Reconsideration, DA 12-1231, WCB/Pricing No. 12-09 (rel. August 1, 2012).

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
) WC Docket No. 12-233
Investigation of Certain 2012 Annual)
Access Tariffs) WCB/Pricing No. 12-09
)
)

ORDER

Adopted: November 30, 2012

Released: December 3, 2012

By the Commission:

I. INTRODUCTION

1. Last year the Commission adopted the *USF/ICC Transformation Order*,¹ which created an incentive-based, market-driven approach to the intercarrier compensation (ICC) systems designed to reduce arbitrage and competitive distortions by phasing down byzantine per-minute and geography-based charges. During the past year, the Commission, the states and the carriers have been working to implement the first phase of the transition. This Order, which concludes the annual access tariff filing investigation initiated this summer, represents the next step in that process. By resolving the issues involved in the vast majority of tariff filings, the Commission is well on its way to implementing the reforms adopted last year. As we have stated previously, we estimate, based on conservative assumptions, that once our ICC reform is complete, mobile and wireline phone consumers stand to gain benefits worth over \$1.5 billion dollars per year.²

2. Specifically, in this Order, we conclude the investigation regarding the Access Recovery Charge (ARC) rates contained in the 2012 Annual Access Tariff Filings of all issuing local exchange carriers (Designated LECs) that were suspended by the Wireline Competition Bureau (Bureau) on July 2, 2012 and were subject to the subsequent *Designation Order*.³ These carriers fall into two groups: issuing

¹ *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (*USF/ICC Transformation Order* or *Order*), *pets. for review pending sub nom.* In re: FCC 11-161, No. 11-9900 (10th Cir. filed Dec. 8, 2011).

² *USF/ICC Transformation Order*, 26 FCC Rcd at 17873, para. 654.

³ *July 3, 2012 Annual Access Tariff Filings*, WCB/Pricing No. 12-09, Order, 27 FCC Rcd 7322 (Wireline Comp. Bur. 2012) (*2012 Annual Access Tariff Suspension Order* or *2012 Suspension Order*). Some of the suspensions were reconsidered by the Bureau. See WCB/Pricing File No. 12-09, *July 3, 2012 Annual Access Tariff Filings*, Order on Reconsideration, 27 FCC Rcd 8948 (Wireline Comp. Bur. 2012) (*2012 Annual Access Tariff Suspension Reconsideration Order* or *Reconsideration Order*); see also *Investigation of Certain 2012 Annual Access Tariffs*, WC Docket No. 12-233, WCB/Pricing No. 12-09, Order Designating Issues for Investigation, 27 FCC Rcd 10311 (Wireline Comp. Bur. 2012) (*Designation Order*).

carriers in the National Exchange Carrier Association's (NECA) Tariff F.C.C. No. 5 (NECA Issuing Carriers), and rate-of-return carriers that issue their own tariffs or are issuing carriers in other group tariffs (Other Designated LECs). Based on additional filings by NECA and changes in some rates, we conclude that most NECA Issuing Carrier ARC rates are now just and reasonable, and therefore lawful. Based on other additional filings and rate adjustment, we also now conclude that the ARC rates of the Other Designated LECs are just and reasonable, and therefore lawful. As discussed below, however, we conclude that the ARC rates for certain NECA Issuing Carriers still have not been properly justified. Those NECA Issuing Carriers are listed in Appendices A and B. We therefore find that the ARC rates for these NECA Issuing Carriers are unlawful, and we require NECA, on behalf of these carriers, to make further compliance filings with the Commission. Although we will allow the problematic rates to temporarily remain effective pending resolution of the compliance filing, refunds may be required at that time.

II. BACKGROUND

A. Overview of Intercarrier Compensation Reform

3. On November 18, 2011, the Commission released the *USF/ICC Transformation Order*, which established a number of new rules requiring carriers to adjust, over a period of years, many of their switched access charges effective on July 1 of each of those years, as part of a transition to a bill-and-keep regime.⁴ As an initial matter, the Commission capped the vast majority of interstate and intrastate switched access rates as of December 29, 2011.⁵ Next, carriers were required, by July 2012, to reduce certain intrastate switched access rates by 50 percent of the differential between the carriers' relevant intrastate access rates and interstate access rates, provided that the aggregate intrastate revenues were above the aggregate interstate revenues.⁶ The reductions to intrastate rates were implemented at the state level via intrastate tariffs and related state proceedings.

4. The Commission also adopted a recovery mechanism to mitigate the impact of reduced intercarrier revenues on carriers and to facilitate continued investment in broadband infrastructure, while providing greater certainty and predictability going forward than the *status quo*.⁷ As part of the recovery

⁴ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17934-35, para. 801 and Figure 9 (although many of the switched access rate elements are subject to the transition adopted, other rates are not being specifically reduced at this time). See also *id.* at 18109-115, paras. 1297-1314 (seeking comment on the appropriate transition for rate elements not reduced in the *USF/ICC Transformation Order*).

⁵ *Id.* at 17934-35, para. 801 and Figure 9. For price cap carriers, all intrastate rates are capped as of the effective date, while for rate-of-return carriers, only terminating intrastate access rates are capped. *Id.*

⁶ *Id.* The transition also required carriers to reduce reciprocal compensation rates, if above the carrier's interstate access rates, by 50% of the differential between the reciprocal compensation rate and the carrier's interstate access rate. See *id.* The rules defining the rate transition did not specify required reductions based on rate levels, but compared certain intrastate revenues resulting from switched demand for Fiscal Year 2011 to the same demand priced at corresponding interstate rates for the same period. See 47 C.F.R. § 51.909(b); see also *Connect America Fund et al.*, WC Docket No. 10-90 et al., Order, 27 FCC Rcd 5986, 5989-90, at paras. 8-9 (Wireline Comp. Bur. 2012).

⁷ *USF/ICC Transformation Order*, 26 FCC Rcd at 17677, para. 36. In adopting the recovery mechanism, the Commission explained that it did so in large part "to provide predictability to incumbent carriers that had been receiving implicit ICC subsidies [and] to mitigate marketplace disruption during the reform transition." *Id.* at 17962-63, para. 858.

mechanism, the Commission defined as “Eligible Recovery” the amount of intercarrier compensation revenue reductions that incumbent LECs would be eligible to recover through a combination of end-user charges (the ARC) and, where eligible and if a carrier elects to receive it, Connect America Fund support.⁸ A carrier’s Eligible Recovery is based on a percentage of the reduction in revenue each year resulting from the intercarrier compensation reform transition.

5. Incumbent LECs with Eligible Recovery may assess an ARC on consumers in the form of a monthly fixed charge.⁹ The Commission took steps to ensure that any increases to the monthly ARC consumer charge did not impact rate affordability, including limiting the annual residential ARC rate increase to \$0.50 and establishing a Residential Rate Ceiling that prohibits carriers from imposing an ARC on any consumer paying an inclusive local monthly phone rate of \$30 or more for basic service.¹⁰ If an incumbent LEC cannot recover its entire Eligible Recovery through ARCs and is otherwise eligible, it may opt to receive the remainder from Connect America Fund support.¹¹

6. The Commission’s rules require incumbent LECs that choose to participate in the recovery mechanism to determine their Base Period Revenues to be used in calculating their Eligible Recovery in the 2012 Annual Access Tariff Filing.¹² This initial calculation of Eligible Recovery is critical because it establishes the amount that carriers are able to recover through their ARC charges and potential recovery from the Connect America Fund.¹³ The Commission must ensure that carriers correctly calculate their Eligible Recovery in their Tariff Review Plan spreadsheets (TRPs)¹⁴ for implementation of the *USF/ICC Transformation Order* throughout the transitional period.

B. History of the Proceeding

7. On June 18, 2012, incumbent LECs filed their 2012 Annual Access Tariff Filings to become effective on July 3, 2012. On July 2, 2012, the Bureau released an Order that suspended for one day and set for investigation the ARC rates contained in the 2012 Annual Access Tariff Filings of all issuing carriers that charged an ARC pursuant to the new rules established in the *USF/ICC*

⁸ *Id.* at 17957, para. 850. In creating the recovery mechanism, the Commission concluded that “it is appropriate to first look to customers paying lower rates for some limited, reasonable recovery, and adopt[ed] a number of safeguards to ensure that rates remain affordable and that consumers are not required to contribute an inequitable share of lost intercarrier revenues.” *Id.* at 17987-88, para. 906.

⁹ *Id.* at 17988, para. 908

¹⁰ *Id.*

¹¹ *Id.* at 17990, para. 910.

¹² See 47 C.F.R. §§ 51.915, 51.917.

¹³ See *id.* §§ 51.907, 51.909, 51.915, 51.917.

¹⁴ In coordination with interested parties, the Commission created a number of new tariff worksheets to be submitted as supporting documentation to demonstrate compliance. The April 19, 2012 *TRP Order* set forth the revised TRPs for all incumbent LECs to use to support the annual revisions to their interstate access service tariffs. See *Material to be Filed in Support of 2012 Annual Access Tariff Filings*, WCB/Pricing File No. 12-08, Order, 27 FCC Rcd 3960, 3960, para. 1 (Wireline Comp. Bur. 2012) (*TRP Order*), citing 47 C.F.R. §§ 61.41-.49, 51.700-.715, and 51.901-.919. For both price cap and rate-of-return incumbent LECs, the Commission added new ARC, Access Reduction, and Reciprocal Compensation spreadsheets to address the new regulations adopted in the *USF/ICC Transformation Order*. *Id.* at 3963-66, paras. 9-11, 26-27.

Transformation Order.¹⁵ The Bureau concluded that substantial questions of lawfulness warranted further investigation of these tariffs, and imposed an accounting order requiring the affected carriers to keep accurate account of all received amounts associated with the rates subject to this investigation.¹⁶

8. On August 1, 2012, the Bureau reconsidered, on its own motion, its decision to suspend and investigate the tariffs and associated transmittals of several incumbent LECs.¹⁷ The Bureau concluded that, following additional review and analysis, these carriers either reasonably calculated their Fiscal Year 2011 revenues and Eligible Recovery amounts in their initial tariff filings or corrected such calculations, and if necessary, their ARC rates in subsequent amendments to their tariff filings.¹⁸ The Bureau therefore terminated the investigations as to those carriers that demonstrated that their Eligible Recovery calculations were consistent with the new rules.¹⁹

9. On August 31, 2012, the Pricing Policy Division (Division) of the Wireline Competition Bureau designated for investigation five issues related to the 2012 Annual Access Tariff Filings.²⁰ Specifically, the Division designated for investigation the following issues that impact carrier recovery: (1) whether each Designated LEC reasonably determined the amount of its Base Period Revenue; (2) whether each Designated LEC reasonably calculated its required intrastate rate reductions; (3) whether each Designated LEC reasonably estimated its projected interstate and intrastate switched access demand; (4) whether NECA's allocation of projected pool interstate switched access revenues based on projected switched access billed revenues was reasonable; and (5) whether the suspended ARC rates were just and reasonable and, if not, the process for requiring refunds.²¹

10. Direct cases for all other Designated LECs were filed on September 27, 2012. NECA's direct case was filed on October 4, 2012. An opposition to NECA's direct case was filed by Emery Telecom on October 18, 2012. No carriers submitted rebuttal filings. We now address the specific issues that were investigated pursuant to the *Designation Order*.

¹⁵ See *2012 Annual Access Tariff Suspension Order*, 27 FCC Rcd at 7323-24, 7325, paras. 3-4, 8.

¹⁶ See *id.* at 7325, para. 8; see also Letter from Sharon E. Gillett, Chief, Wireline Competition Bureau, to Regina McNeil, Vice President and General Counsel, NECA, WC Docket Nos. 10-90 *et al.*, 27 FCC Rcd 5801 (2012) (Bureau May 30, 2012 Letter).

¹⁷ See *Reconsideration Order*, 27 FCC Rcd at 8948, para. 2. Subsequent to the release of the *Reconsideration Order*, the Bureau determined that several LECs' suspended tariff filings are reasonable (including all price cap LECs that were not addressed in the *Reconsideration Order*). No issues were designated for investigation with respect to those LECs. As a procedural matter, the suspended rates remained suspended until the conclusion of this investigation, and we now find that they are just and reasonable, and therefore, lawful.

¹⁸ *Id.* at 8949, para. 4.

¹⁹ *Id.*

²⁰ See 47 U.S.C. § 204.

²¹ See *Designation Order*, 27 FCC Rcd at 10311-12, 10326, para. 1 and App. A. The *Designation Order* also asked each responding LEC to include, as part of its direct case, information regarding the appropriate timing and procedures for making any necessary tariff filings or revisions to the amount of Connect America Fund support a LEC may be eligible to receive. *Id.* at 10312, 10322-23, paras. 2, 33-35.

III. DISCUSSION

A. Whether Each Designated LEC Reasonably Determined the Amount of Its Base Period Revenue

11. The first issue designated for investigation was whether each Designated LEC reasonably determined the amount of its Base Period Revenue to be used as the starting point for calculating its Eligible Recovery.²² Each Designated LEC was required to file, as part of its direct case, a revised description and justification document that clearly and fully explained the procedures it used to determine its “collected revenue,” defined as Fiscal Year 2011 revenues that were received by March 31, 2012, and one of the components that comprises Base Period Revenue.²³ Each Designated LEC was directed to ensure that several aspects of determining Fiscal Year 2011 revenues for services provided during Fiscal Year 2011 were addressed in a revised description and justification document. Further, each Designated LEC was instructed to describe the derivation of the initial amounts, including any non-recurring revenues, and any adjustments made in arriving at its collected revenue amount. If any Base Period Revenue amount was modified as a result of this review of the methodology for determining collected revenues, the Designated LEC was directed to revise its TRP filing accordingly. Designated LECs were also invited to file any additional materials related to the appropriate procedure or methodology to determine Base Period Revenue that would comply with the Commission’s rules. Finally, for each NECA Issuing Carrier charging an ARC rate in its interstate switched access tariff, NECA was directed to provide an explanation of the procedure for determining Fiscal Year 2011 revenues that were received by March 31, 2012, in compliance with the preceding requirements.²⁴

12. We conclude that the NECA Issuing Carriers listed in Appendix A have not demonstrated that they reasonably determined the amount of their Base Period Revenue to be used as the starting point for calculating their Eligible Recovery. For example, contrary to the specific requirements set out in the *Designation Order*, some NECA Issuing Carriers provided no explanation at all for how they calculated collected revenue amounts. Others stated that they used billed revenue, rather than the amount of revenue actually collected for services provided between October 1, 2010 and September 30, 2011, and collected by March 31, 2012, as required by the Commission’s rules.²⁵ In light of the failure of each of the NECA Issuing Carriers listed in Appendix A to adequately justify its ARC rates, we find the ARC rates unreasonable and we direct NECA, on behalf of each of these carriers, to make a compliance filing with the Commission within sixty (60) days of this Order’s adoption. This compliance filing must include a certified statement by an officer of each carrier of the amount of revenue the carrier collected for services provided during FY 2011, as specified in the *Designation Order*.²⁶ Additionally, in cases in

²² See *Designation Order*, 27 FCC Rcd at 10314-16, 10326, paras. 8-12 and App. A; see also 47 C.F.R. § 51.917(d).

²³ See *Designation Order*, 27 FCC Rcd at 10315, para. 9. The relevant revenues include revenues from interstate rate elements, rate elements included in the definition of Transitional Intrastate Access services and net reciprocal compensation revenue for services provided during Fiscal Year 2011. See 47 C.F.R. §§ 51.903(j), 51.917(c). Carriers may use unadjusted billed revenue only if they received payment for all relevant FY 2011 bills by March 31, 2012, and affirmatively state that they collected all relevant billed revenues in their description and justification document. See *Designation Order*, 27 FCC Rcd at 10315, para. 9 n.29.

²⁴ See *Designation Order*, 27 FCC Rcd at 10316, paras. 10-12.

²⁵ See 47 C.F.R. 51.917(c).

²⁶ See *Designation Order*, 27 FCC Rcd at 10315-16, paras. 9-11. Our decision to require a certified statement by (continued....)

which the amount of collected revenue changes any Base Period Revenue amount in the filed TRP, we direct NECA to file a revised TRP on behalf of each NECA Issuing Carrier listed in Appendix A that reflects the carrier's revised Base Period Revenue in all of the TRP calculations where Base Period Revenue is used. We extend the accounting order for the NECA Issuing Carriers listed in Appendix A and will require refunds if modifications to a NECA Issuing Carrier's Base Period Revenues result in lower allowed ARC rate(s) for a carrier than the rate(s) contained in the revised NECA tariff.

13. We find that each of the Other Designated LECs, as well as the NECA Issuing Carriers not listed in Appendix A, complied with this portion of the *Designation Order*, and we conclude that those carriers have reasonably determined the amount of their Base Period Revenue to be used as the starting point for calculating their Eligible Recovery.

B. Whether Each Designated LEC Reasonably Calculated Its Required Intrastate Rate Reductions

14. The second issue designated for investigation was whether each Designated LEC reasonably calculated its reduction in intrastate rates required by section 51.909(b) of the Commission's rules.²⁷ That section requires each rate-of-return LECs to compare total revenue it would have received if it had provided Transitional Intrastate Access Service at its interstate access rates in effect on December 29, 2011, using its Fiscal Year 2011 intrastate switched access demand for each rate element, with total revenue from the rate elements included in the definition of Transitional Intrastate Access Service at such carrier's intrastate access rates in effect on December 29, 2011, using its Fiscal Year 2011 intrastate switched access demand for each rate element.²⁸ These calculations were required to include any non-recurring revenues and associated demand included in the Base Period Revenue. If the calculated intrastate revenues were larger, the carrier was required to reduce its intrastate rates.²⁹ The specific calculation required for such rate reductions were incorporated in the 2012 RoR ILEC Intrastate Rates Worksheet of the rate-of-return TRP.

15. As part of its direct case, each Designated LEC was directed to file the 2012 RoR ILEC Intrastate Rates Worksheet from its TRP with intrastate demand mapped to the interstate rate structure to calculate the revenue that would have been generated if the intrastate demand had been priced at interstate rates.³⁰ Designated LECs were then instructed to make the necessary revenue comparison between this amount and the relevant intrastate revenues and, if the required intrastate rate reduction amount is different from the amount filed in its TRP, to refile its entire TRP to reflect the revised intrastate rate reduction amount.³¹ In addition, NECA Issuing Carriers were directed to file comparable data reflecting the calculation of the amount of required intrastate rate reductions.³²

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an officer at this time is necessary due to the insufficiency of the information submitted by each carrier identified in Appendix A in its direct case. It is our expectation that the requested certifications will provide additional assurance that the carriers listed in Appendix A reasonably determined the amount of their Base Period Revenue.

²⁷ See *id.* at 10316-17, 10326, paras. 13-16 and App. A; see also 47 C.F.R. § 51.909(b).

²⁸ 47 C.F.R. § 51.909(b)(2)(i) and (ii).

²⁹ 47 C.F.R. § 51.909 (b)(2)(iii).

³⁰ See *Designation Order*, 27 FCC Rcd at 10317, para. 15.

³¹ See *id.* Each carrier was directed to maintain records documenting the procedures used to map the intrastate demand to the interstate rate structure, and to provide those records to the Commission on request. *Id.* Carriers (continued....)

16. We find that the Designated LECs' revised TRP filings meet the *Designation Order* requirements. The NECA Issuing Carriers' June 18, 2012 Annual Access Tariff Filing contained intrastate rate reductions for pooling carriers that were calculated using a methodology that improperly failed to include intrastate rate information as part of the required aggregate revenue calculation.³³ The Bureau informed NECA that its methodology did not comply with the Commission's rules.³⁴ The *Designation Order* identified this failure to comply with our rules as one of the reasons for suspension of NECA Issuing Carriers' tariffed ARC rates, and directed NECA to file revised intrastate rate reductions for the first step of the intercarrier compensation transition for each NECA Issuing Carrier in compliance with section 51.909(b) of the Commission's rules.³⁵ Our analysis of NECA's direct case shows that this defect in the NECA Issuing Carriers' June 18, 2012 Annual Access Tariff Filing has been remedied by the inclusion of intrastate demand information as required by the Commission's intercarrier compensation rate transition rules.³⁶ We also note that the intrastate demand information used to calculate the intrastate rate reductions required by the Commission's intercarrier compensation rate transition rules was reviewed by states in state tariff proceedings, and that interested parties had the opportunity to participate in these proceedings.³⁷ Because of this correction in the rate calculation methodology, we find that the NECA Issuing Carriers' intrastate rate reduction calculations are reasonable for purposes of calculating Eligible Recovery and establishing ARC rates.

17. We further conclude that TRPs filed by the Other Designated LECs reasonably reflect the revised intrastate rate reduction amount, and we therefore conclude that these carriers have reasonably calculated intrastate rate reductions.

C. Whether Each Designated LEC Reasonably Estimated its Projected Interstate and Intrastate Switched Access Demand

18. The third issue designated for investigation was whether each Designated LEC reasonably estimated its projected interstate and intrastate switched access demand for the 2012-13 tariff filing year.³⁸ As part of its direct case, each carrier was instructed to provide additional detail for certain cells on the TRP worksheets, including the amount of local switching support (LSS) reflected in cell F7 on the 2012 RoR ILEC Interstate Rates Worksheet, and the projected annual percentage rate of demand

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were also invited to file any additional materials or arguments that address or demonstrate the calculation of the appropriate intrastate rate reduction in compliance with the Commission's rules. *Id.*

³² See *id.* at 10317, para. 16.

³³ See *Designation Order*, 27 FCC Rcd at 10316-17, para. 14.

³⁴ See Bureau May 30, 2012 Letter.

³⁵ See *Designation Order*, 27 FCC Rcd at 10316-17, paras. 13-16 ("Typically, the LEC improperly used a composite rate for the interstate rate of the comparison, using interstate rates and *interstate demand* in lieu of utilizing the methodology required by the Commission's rules") (emphasis in original).

³⁶ 47 C.F.R. § 51.909(b).

³⁷ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17929, para. 790 (noting that states will help implement the bill-and-keep methodology, and will continue to oversee the tariffing of intrastate rate reductions during the transition period). We note that some of these 2012 state tariff proceedings may still be ongoing and notify carriers that they are required to file with us any updated TRPs should their state intrastate access rates increase as a result of a state proceeding.

³⁸ See *Designation Order*, 27 FCC Rcd at 10317-18, 10326, paras. 17-21 and App. A.

change reflected in the calculation of the amount in cell F10 on the 2012 RoR ILEC Interstate Rates Worksheet and in cell G9 on the 2012 RoR ILEC Intrastate Rates Worksheet.³⁹ Further, Designated LECs whose projected interstate and/or intrastate demand loss exceeded an annualized rate of 15 percent were instructed to, as part of their direct case, either: (1) file a detailed explanation of how they derived their loss factor, or (2) utilize an annualized projection of 15 percent projected demand loss, in which case the LEC was not required to file additional justification for its projected demand loss, but was required to file a revised TRP reflecting an annualized 15 percent demand loss.⁴⁰

19. NECA was directed to review the TRP calculations for each of its Tariff Participants.⁴¹ For those NECA Issuing Carriers whose projected demand loss exceeded an annual rate of 15 percent, NECA was directed to file a detailed explanation of the derivation of each issuing carrier's loss factor as part of its direct case.⁴² For those NECA Issuing Carriers whose projected demand loss exceeded 15 percent but who utilized an annualized projected demand loss of 15 percent, the *Designation Order* specified that the NECA Issuing Carriers were not required to file additional justification for their projected demand loss, but were required to file a TRP reflecting an annualized 15 percent demand loss.⁴³

20. With regard to the NECA Issuing Carriers, we note that 42 carriers filed TRPs that reflected annualized intrastate demand loss of greater than 15 percent.⁴⁴ We find that the NECA Issuing Carriers listed in Appendix B provided insufficient justification for their intrastate demand loss in excess of 15 percent. For example, a number of these carriers just provided the numbers showing a greater than 15 percent demand loss, but failed to provide any explanation as to the cause of that demand loss and others failed to provide information sufficient for the Commission to determine if the projection was reasonable. Because we believe that a 15 percent demand loss is a generous allowance for demand loss notwithstanding special circumstances, which these carriers failed to provide, we find these projections unreasonable.⁴⁵ We note that carriers with actual intrastate demand loss in excess of 15 percent will be made whole through the true-up process.⁴⁶ Accordingly, we direct NECA to refile, within sixty (60)

³⁹ See *id.* at 10318, para. 19.

⁴⁰ See *id.* at 10318, para. 20. This provision did not authorize a LEC to increase its demand loss projection to an annualized rate of 15% if its projection in its June TRP was less than that amount.

⁴¹ See *id.* at 10318, para. 21.

⁴² See *id.*

⁴³ See *id.* This provision did not authorize a LEC to increase its demand loss projection to an annualized rate of 15% if the projection amount in its June TRP was less than that amount.

⁴⁴ As noted, the *Designation Order* also required justification of interstate demand losses greater than 15%, given, in part, NECA's methodology for allocating projected revenues. *Id.* at 10318, para. 21. Because NECA adopted the proposed pooling allocation of projected revenues addressed in Section III.D, individual carrier projections are less significant. We find that the administrative cost of revising the pool allocation of projected revenue to reflect the small number of carriers with unsupported interstate demand losses greater than 15% would exceed any benefits from requiring NECA to reallocate what would likely be a *de minimis* reduction in projected revenues. In any event, the demand projections will be true-up in 2014.

⁴⁵ The Division established a threshold of 15% to focus its review of demand projections to those exceeding our anticipated range. See *id.* at 10318, para. 20. We note that approximately 95% of carriers included demand projections of 15% or less in their direct cases, suggesting that the approach adopted in the *Designation Order* was reasonable.

⁴⁶ The *USF/ICC Transformation Order* permits true-ups for a carrier's recovery based upon a carrier's actual (continued....)

days from the date of this Order, new TRPs reflecting an annualized projected intrastate demand loss of no greater than 15 percent for each of the NECA Issuing Carriers listed in Appendix B. We extend the accounting order established in the *2012 Annual Access Tariff Suspension Order* for these NECA Issuing Carriers and will require refunds to the extent that carriers' demand adjustments result in lower ARC rates. The remaining NECA Issuing Carriers either used a 15 percent or less annualized intrastate demand loss or provided an adequate justification as to how they derived a demand loss factor that exceeds 15 percent. We conclude that these NECA Issuing Carriers have reasonably estimated their projected intrastate switched access demand.

21. We find that the Other Designated LECs either reasonably demonstrated how they derived a demand loss factor that exceeds 15 percent, or utilized an annual demand loss projection no greater than 15 percent. We conclude that those carriers have reasonably estimated their projected interstate and intrastate switched access demand.

D. Whether NECA's Allocation of Projected Pool Interstate Switched Access Revenues Based on Projected Switched Access Billed Revenues Was Reasonable

22. The fourth issue designated for investigation was whether it was reasonable for NECA to use each pooling carrier's projection of billed 2012-13 interstate switched access revenues as the means of allocating projected pool switched access revenues among pool participants in calculating issuing carriers' Eligible Recovery.⁴⁷ In the TRPs supporting its annual access tariff filing, NECA identified, as each Pooling LEC's projected 2012-13 interstate switched access revenues the revenue the carrier was projected to receive from its individual billing of access services at the relevant NECA rates. NECA's use of individual carrier switched access service revenue, rather than pool settlement revenue, as the projected interstate switched access revenue amount for the purpose of calculating a carrier's Eligible Recovery effectively eliminated interstate switched access pooling for the rate elements involved. This elimination of pooling resulted in each Pooling LEC's Eligible Recovery increasing or decreasing depending on whether it was a net recipient or a net contributor to the pool.⁴⁸ This approach resulted in approximately 40 Pooling LECs (a subset of the Pooling LEC's who would otherwise have been net contributors to the pool) having projected switched access revenues for 2012-13 above their adjusted base period revenue.⁴⁹ And, because any switched access service revenues received that were above a carrier's adjusted base period revenue would not have been redistributed among Pooling LECs, the ARC and/or Connect America funding needed for the remaining Pooling LECs would have been correspondingly increased. This approach also changed the distribution of how carriers would have

(Continued from previous page)

minutes of use (MOUs). Therefore, if a NECA Issuing Carrier does actually incur intrastate demand losses in excess of 15%, it will be able to recover that Eligible Recovery pursuant to the true-up. *See USF/ICC Transformation Order*, 26 FCC Rcd at 17982-83, para. 899. However, we also note that the Commission will review whether carriers significantly overstated their demand loss at the end of the true-up period. The Commission may revisit what constitutes a reasonable demand loss estimate if its review of the true-up process establishes carriers are consistently overestimating their actual rate of demand loss.

⁴⁷ *See Designation Order*, 27 FCC Rcd at 10319-20, 10326, paras. 22-27 and App. A. *See also* 47 C.F.R. § 69.600 *et seq.*

⁴⁸ Notwithstanding NECA's interpretation of the interstate pooling requirements, we note that NECA used pool settlement revenues, rather than individually billed revenues, for purposes of determining projected revenue for LECs participating in intrastate pools.

⁴⁹ We use the term "adjusted base period revenue" here to describe the amount of money each carrier would need to receive from switched access revenues to achieve their Base Period Revenue amount reduced by 5%.

recovered their Eligible Recovery, as it would have impacted the amounts received through ARC rates and the Connect America Fund.

23. The Division explained in the *Designation Order* that NECA's approach to projecting interstate received switched access revenue for each pooling LEC appeared to be inconsistent with the intent of the *USF/ICC Transformation Order* to permit LECs to elect whether to participate in the NECA pooling process.⁵⁰ Moreover, the *Designation Order* noted that the *USF/ICC Transformation Order* contemplated a continuation of the pooling process for switched access services and that the results of that pooling process should be the basis for allocating projected 2012-13 switched access revenues.⁵¹

24. Pursuant to that analysis, the Division stated in the *Designation Order* that it would be reasonable to allocate projected revenues for purposes of determining each pooling carrier's projected 2012-13 interstate switched access revenues by allocating the projected revenues in relation to each carrier's interstate Base Period Revenue divided by the projected pool Base Period Revenue.⁵² NECA was directed to employ this pooling approach in its direct case, if it found the methodology to be acceptable, by filing revised TRPs supporting each of its tariff participants' calculation of Eligible Recovery.⁵³ If NECA chose not to employ this pooling approach it was invited to file additional materials that address the proper development of Eligible Recovery for pooling LECs, including arguments supporting the approach used by NECA and any adjustments needed to address any potential windfall for some carriers.⁵⁴

25. On October 4, 2012, NECA filed its direct cases, including support for the development of each pooling carrier's Eligible Recovery, which employed the pooling approach outlined in the *Designation Order*.⁵⁵ An opposition to NECA's direct case was filed by Emery Telecom on October 18, 2012, which we reject herein as inconsistent with the *USF/ICC Transformation Order*.⁵⁶ Accordingly,

⁵⁰ *Designation Order*, 27 FCC Rcd at 10320, para. 24.

⁵¹ *Id.* at 10320, para. 25.

⁵² *See id.*

⁵³ *See id.* at 10320, para. 26. NECA Issuing Carriers were further instructed to include in the revised TRPs any additional adjustments that may be necessary because of other aspects of the *Designation Order*. *Id.*

⁵⁴ *See id.* at 10320, para. 27.

⁵⁵ *See id.* at 10319-20, paras. 22-26.

⁵⁶ We reject Emery's argument that the *USF/ICC Transformation Order* and the Commission's rules do not support the interpretation that settlement revenues must be pooled when calculating a carrier's Eligible Recovery. *See* Emery Telecom Comments on Direct Case of NECA, WC Docket No. 10-90 *et al.*, at 1-3 (filed Oct. 18, 2012). Emery urges the Commission to reinstate NECA's original calculation of Eligible Recovery, thereby not requiring Emery to assess an ARC on its end users. *Id.* As the *Designation Order* made clear, the Commission intended that NECA pooling continue. *See Designation Order*, 27 FCC Rcd at 10320, para. 25. The pooling process has historically included the development of averaged pool rates reflecting the costs of the pooling LECs and the distribution of revenues in a manner that reflected each carrier's costs. *See id.* at 10319-20, paras. 22-23. Nothing in the *USF/ICC Transformation Order* indicated that these procedures should be abandoned. To do as Emery Telecom suggests would be inconsistent with the recovery mechanism adopted in the *USF/ICC Transformation Order* by making the assessment of an ARC by some carriers dependent on whether they were a significant net contributor to the NECA pool. *See id.* at 10319-20, paras. 23-24.

we conclude that the approach utilized by the NECA Issuing Carriers in their direct cases constitutes pooling in a manner that is consistent with the approach set forth in the *USF/ICC Transformation Order*.

E. Modifications to Access Recovery Charge Rates as a Result of this Investigation

26. The fifth issue designated for investigation was the reasonableness of the ARC rates of the Designated LECs, and, if the rates are unjust and unreasonable, the process for requiring refunds, which will be discussed in Section III.F of this order.⁵⁷ Only certain of the NECA Issuing Carriers' ARC rates changed as a result of the revised calculations required by the direct case.

27. First, we deny the Application for Review filed by the Public Service Commission of the District of Columbia (DC PSC).⁵⁸ The DC PSC Application seeks review of the Wireline Competition Bureau's *Reconsideration Order*, arguing that allowing Verizon's ARC rates to become effective permits Verizon to charge residential customers in states in which the Residential Rate Ceiling is not reached a higher and unfair ARC.⁵⁹ Because the tariff complies with section 51.915(e)(3) of the Commission's rules,⁶⁰ we conclude that the Bureau acted properly in permitting Verizon's ARC rates to become effective.⁶¹ Second, we dismiss the DC PSC's Application insofar as the DC PSC does not assert that the Verizon ARC rate at issue violates Commission rules; it argues instead that we should change the rules to prohibit such a rate. As noted in the *Reconsideration Order*, the DC PSC's petition requesting reconsideration of section 51.915(e)(3) of the Commission's rules remains pending and is the appropriate vehicle for the Commission to address whether the rules should be changed.⁶²

⁵⁷ See *Designation Order*, 27 FCC Rcd at 10321-22, 10326, paras. 28-32 and App. A. This issue also includes consideration of any ARC rate later suspended and rolled into this investigation. See *National Exchange Carrier Association Revisions to Tariff F.C.C. No. 5*, WCB/Pricing File No. 12-09, Transmittal No. 1350, Order, 27 FCC Rcd 8148 (2012).

⁵⁸ Application for Review of the Wireline Competition Bureau's Order on Reconsideration, DA 12-1231 of Betty Ann Kane, Chairman of the Public Service Commission of the District Of Columbia, WCB/Pricing File No. 12-09 (filed Aug. 31, 2012) (DC PSC Application).

⁵⁹ DC PSC Application at 6.

⁶⁰ Section 51.915(e)(3) provides that a price cap carrier holding company "may recover the eligible recovery attributable to any price cap study areas operated by its wholly-owned operating companies through assessments of the Access Recovery Charge on end users in any price cap study areas operated by its wholly owned operating companies that are price cap incumbent local exchange carriers." 47 C.F.R. § 51.915(e)(3). As a price cap holding company, Verizon is permitted to assess its ARC charges on end users in any price cap study areas operated by its wholly owned price cap regulated operating companies. Thus, Verizon's assessment of the ARC charges in the manner provided in its tariff did not violate this Commission rule.

⁶¹ *Id.*

⁶² *Reconsideration Order*, 27 FCC Rcd at 8949, para. 4 n.10. We plan to act on the DC PSC's Petition expeditiously, and in order to ensure that we have a complete record on these issues, we incorporate the record developed in this proceeding into the record associated with the DC PSC's Petition for Reconsideration. See Petition for Reconsideration of the Public Service Commission of the District of Columbia, WC Docket Nos. 10-90 *et al.* (filed Dec. 29, 2011). In addition, on October 4, 2012, the Commission received, from the Pennsylvania Public Utility Commission (PA PUC), a document captioned "Petition For Clarification of the Pennsylvania Public Utility Commission and Application for Review of Wireline Competition Bureau's Order on Reconsideration, DA 12-1231, of Betty Ann Kane, Chairman of the Public Service Commission of the District of Columbia." This document was filed pursuant to sections 1.2, 1.41, and 1.429 of the Commission's rules. To the extent that this (continued....)

28. The *Designation Order* directed NECA to provide four tables as part of its direct case. Specifically, it directed NECA to provide a table (Table 1), showing the LECs that filed a residential ARC of \$0.50, a single-line business ARC of \$0.50, and a multi-line business ARC of \$1.00 that remain eligible to charge those rates under the revised TRP for each NECA Tariff Participant. NECA was directed to provide a second table (Table 2), showing the LECs that filed a residential ARC capped by the Residential Rate Ceiling, a single-line business ARC of \$0.50, and a multi-line business ARC of \$1.00 that remain eligible to charge the same rates under the revised TRP. NECA was directed to provide a third table (Table 3) listing each LEC that the direct case shows would be eligible to charge one or more higher ARC rate(s) than those currently in effect. For each LEC listed in Table 3, NECA was directed to provide the currently effective ARC rates and the comparable ARC rates determined in the direct case. NECA was directed to provide a fourth table (Table 4), listing each LEC that has one or more currently effective ARC rate(s) that the direct case shows exceed the allowed ARC rate(s). For each LEC listed in Table 4, NECA was directed to provide the currently effective ARC rates and the comparable ARC rates determined in NECA's direct case. NECA was also required to submit a proposal for filing revised ARC rates which included, for each LEC listed in Table 4, the proposed rates to be filed to provide the required refund and the length of time such rates shall be in effect.⁶³

29. We have reviewed the direct cases filed in response to the *Designation Order*, as discussed above in sections III.A–D of this Order. Based on this review, with the exception of the carriers listed in Appendices A and B, we find that the ARC rates of all carriers for whom the reasonableness of the ARC rates was set for investigation are just and reasonable, and thus lawful.⁶⁴

30. Further, in the *Designation Order* we noted that some price cap carrier rates were not being designated for investigation even though their suspensions had not been reconsidered in the *Reconsideration Order*. Since the release of the *Reconsideration Order*, we determined that those carriers had sufficiently addressed all concerns with their filings prior to the release of the *Designation Order* and we decided not to designate any issues with regard to those LECs.⁶⁵ We hereby affirm that the ARC rates of those carriers are determined to be just and reasonable, and thus lawful.

31. As noted above with respect to issues discussed in Sections III.A and C, we are requiring certain carriers to make a compliance filing that may result in revised Eligible Recovery amounts and thus potentially different allowable ARC rates. Accordingly, as part of its compliance filing, we direct

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filing is a petition for reconsideration of the Bureau's *Reconsideration Order*, we dismiss it on procedural grounds because it was not filed within 30 days, as required under the Commission's rules. *See* 47 C.F.R. § 1.429(d). Likewise, to the extent the PA PUC filing is an application for review of the Bureau's *Reconsideration Order*, we dismiss it on procedural grounds because it was not filed within 30 days, as required under the Commission's rules. *See* 47 C.F.R. § 1.115. However, to the extent that the PA PUC filing is a request for a declaratory ruling or a request for clarification, it involves questions regarding how the Commission has interpreted or applied its rules, and is therefore more appropriately considered in the context of the DC PSC's pending Petition for Reconsideration of section 51.915(e)(3) of the Commission's rules. Accordingly, we also incorporate the PA PUC filing into the record associated with the DC PSC's Petition for Reconsideration.

⁶³ *See Designation Order*, 27 FCC Rcd at 10321-22, para. 30.

⁶⁴ *See supra* para. 12 (explaining that carriers listed in Appendix A failed to reasonably determine the amount of their base period revenue) and para. 20 (explaining that carriers listed in Appendix B failed to reasonably estimate their interstate and intrastate switched access demand).

⁶⁵ *Designation Order*, 27 FCC Rcd at 10311, para. 1 n.2.

NECA to refile, within sixty (60) days from the date of this Order, updated tables 1-4 reflecting changes that result from implementation of this Order. We note that no comments were received on refund procedures for NECA Issuing Carriers, and we address the refund process in Section III(F). Though currently not justified on the evidence here, we anticipate that ARC charges at some rate level ultimately will be just and reasonable, and thus find it equitable, until the compliance filings and refund processes are resolved, to temporarily allow those carriers to continue to charge the ARC rates currently filed.⁶⁶ We note that NECA will be directed to file new tariffs to implement the changes reflected in the revised tables 1-4 submitted with the compliance filing.

F. Implementation Procedures

32. Finally, the *Designation Order* raised the question of what further procedures may be necessary to implement the instant Order terminating this investigation.⁶⁷ Such issues include comment on what procedures should be specified to address changes to the amount of Connect America Fund support a carrier may be eligible to receive and/or may have already received.⁶⁸ For NECA pooling carriers, the *Designation Order* sought comment on the Division's proposal that NECA and USAC establish a process within 21 days of the release of this Order to implement the required revisions in a coordinated manner.⁶⁹ For Other Designated LECs, the *Designation Order* sought comment on the Division's proposal that each carrier file a revised TRP with the Universal Service Administrative Company (USAC) within 30 days of this Order, after which USAC would process the revised filings and make the necessary adjustments consistent with the process it uses to address other submissions of revised data.⁷⁰

33. No carriers filed comments either opposing the Division's proposal or suggesting a different method to address changes to the amount of Connect America Fund support a carrier may be eligible to receive or may have already received.⁷¹ Accordingly, we require each NECA Issuing Carrier and Other Designated LEC not listed in Appendices A and B whose replacement Connect America Fund support has changed as a result of this proceeding to file a revised TRP with USAC within thirty (30) days of the date of this Order, and USAC will process the revised filings and make the necessary adjustments to the carrier's Connect America Fund support using its normal procedure for processing

⁶⁶ See, e.g., *American Telephone and Telegraph Company*, 85 F.C.C.2d 549, 556-57, paras. 17-18 (1981) (discussing *MCI v. FCC*, 627 F. 2d 322, 338 (D.C. Cir. 1980), and concluding that where the Commission had held rates to be unlawful – and indeed, even unjust and unreasonable, as well – it nonetheless had leeway to allow those rates to temporarily continue in effect where its decision was based on insufficient data and “not based upon a substantive assessment of the rates on their merits”).

⁶⁷ See *Designation Order*, 27 FCC Rcd at 10322-23, paras. 33-35.

⁶⁸ See *id.* at 10322-23, para. 33.

⁶⁹ See *id.* at 10323, para. 35.

⁷⁰ See *id.* at 10323, para. 34.

⁷¹ We note that both Union Telephone Company (Union) and the Chillicothe Telephone Company (Chillicothe) suggest that “major recalculations of Eligible Recovery that reduce CAF ICC support or require repayment of prior disbursements of CAF ICC support be extended over a reasonable and appropriate transition period to minimize disruptions to the operations and finances of affected small businesses.” See Union Direct Case at 10-11; Chillicothe Direct Case at 18. Since neither Union nor Chillicothe cites any specific instance where this transition period should apply, we decline to act on their requests at this time.

data revisions. To avoid any carrier receiving a cash flow shock from differences in the timing of the USAC adjustments and the NECA pooling adjustments, we direct USAC and NECA to coordinate the timing of their adjustments to minimize cash flow disruptions.

34. With regard to carriers required to make compliance filings and potentially submit revised TRPs, the Bureau will review them when filed. For those filings that contain Base Period Revenue figures and revised intrastate demand projections at 15 percent that implement the directives of this Order in a reasonable manner, the Bureau will direct USAC to process the TRP filings as necessary to make adjustments to the carrier's Connect America Fund support.

35. Carriers whose compliance filings or revised TRPs do not reasonably implement the directives of this Order may continue to be subject to refunds of amounts collected under tariffed charges subject to the accounting order in this proceeding. We delegate authority to the Wireline Competition Bureau, as appropriate, to review the compliance filings required by this Order and to take any further action necessary to ensure that the directives contained in this Order are carried out.

IV. ORDERING CLAUSES

36. ACCORDINGLY, IT IS ORDERED that, pursuant to sections 201-204, and 251 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 201-204, 251, the tariff investigation initiated in WCB/Pricing Docket No. 12-09 IS TERMINATED.

37. IT IS FURTHER ORDERED that the Access Recovery Charge rates filed by the National Exchange Carrier Association on behalf of the NECA Issuing Carriers listed in Appendices A and B are unlawful. However, the Access Recovery Charge rates of those carriers may continue to be assessed pending the outcome of the compliance plan filings.

38. IT IS FURTHER ORDERED that the NECA Issuing Carriers listed in Appendices A and B within sixty (60) days from the date of this order SHALL FILE compliance filings consistent with this Order.

39. IT IS FURTHER ORDERED that the National Exchange Carrier Association, within sixty (60) days from the release date of this order, SHALL FILE a compliance filing consistent with this Order.

40. IT IS FURTHER ORDERED that the accounting order applicable to the NECA Issuing Carriers REMAINS EFFECTIVE with respect to the carriers listed in Appendices A and B.

41. IT IS FURTHER ORDERED that the rates of the Designated LECs that are not listed in Appendices A and B are just and reasonable, and therefore lawful.

42. IT IS FURTHER ORDERED that the accounting order applicable to Designated LECs that are not listed in Appendices A and B IS TERMINATED.

43. IT IS FURTHER ORDERED that each Designated LEC not listed in Appendices A and B whose ICC replacement Connect America Fund recovery amount has changed as a result of this proceeding, within thirty (30) days from the release date of this Order, SHALL FILE a revised Tariff Review Plan with USAC, and USAC will process the revised filings and make the necessary adjustments to the carrier's Connect America Fund support.

44. IT IS FURTHER ORDERED that the Application for Review filed by the Public Service

Commission of the District of Columbia IS DENIED to the extent described above, and otherwise IS DISMISSED.

45. IT IS FURTHER ORDERED that, to the extent the Pennsylvania Public Utility Commission filing referenced above contains an Application for Review or a Petition for Reconsideration, the Petition or Application IS DISMISSED.

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch
Secretary

APPENDIX A

STUDY AREA ID	ISSUING CARRIER NAME
120042	DIXVILLE TELEPHONE COMPANY
140053	FRANKLIN TELEPHONE COMPANY
170171	HICKORY TELEPHONE COMPANY
170215	YUKON-WALTZ TELEPHONE COMPANY
190248	SCOTT COUNTY TELEPHONE COOPERATIVE, INC.
270432	KAPLAN TELEPHONE COMPANY
290562	DEKALB TELEPHONE COOPERATIVE, INC.
290598	WEST KENTUCKY RURAL TELEPHONE COOPERATIVE CORPORATION, INC.
310688	CLIMAX TELEPHONE COMPANY
310703	KALEVA TELEPHONE COMPANY
310704	ACE TEL. CO. OF MICHIGAN INC.
310725	SAND CREEK TELEPHONE COMPANY
330971	WEST WISCONSIN TELCOM COOP., INC.
431977	CENTRAL OKLAHOMA TELEPHONE COMPANY
431979	CHEROKEE TELEPHONE COMPANY
462188	FARMERS TELEPHONE COMPANY, INC.
462201	RICO TELEPHONE COMPANY
492262	E.N.M.R. TEL. COOPERATIVE, INC.-NM
502279	GUNNISON TELEPHONE COMPANY

APPENDIX B

STUDY AREA ID	ISSUING CARRIER NAME
522419	HOOD CANAL TELEPHONE CO.
613013	KETCHIKAN PUBLIC UTILITIES TELEPHONE DIVISION
140069	WAITSFIELD/FAYSTON TELEPHONE CO., INC.
190239	NEW HOPE TELEPHONE COOPERATIVE
220381	PUBLIC SERVICE TELEPHONE COMPANY
230491	NORTH STATE TELEPHONE COMPANY. D/B/A NORTH STATE COMMUNICATIONS
250283	BRINDLEE MOUNTAIN TELEPHONE LLC
250290	FARMERS TELECOMUNICATIONS COOPERATIVE, INC.
250300	HOPPER TELECOMMUNICATIONS LLC
250322	UNION SPRINGS TELEPHONE COMPANY, INC.
270433	LAFOURCHE TELEPHONE COMPANY, L.L.C.
290565	HIGHLAND TELEPHONE COMPANY, INC.
300606	CONNEAUT TELEPHONE COMPANY
300634	MINFORD TELEPHONE COMPANY
310777	ACE TELEPHONE COMPANY OF MICHIGAN, INC. - OLD MISSION
330920	NIAGARA TELEPHONE COMPANY
341025	SHAWNEE TELEPHONE. COMPANY
341060	MOULTRIE INDEPENDENT TELEPHONE COMPANY
341062	NEW WINDSOR TELEPHONE COMPANY
351346	ACE TELEPHONE ASSOCIATION-IA
361346	ACE TELEPHONE ASSOCIATION-MN
371537	DALTON TELEPHONE COMPANY
452176	VALLEY TELEPHONE COOPERATIVE, INC.-AZ
482242	INTERBEL TEL. COOP., INC.
482244	LINCOLN TELEPHONE COMPANY, INC.
532364	COLTON TELEPHONE COMPANY
532371	CASCADE UTILITIES, INC.
532378	TRANS-CASCADE TELEPHONE COMPANY
532388	NORTH STATE TELEPHONE COMPANY
542338	SIERRA TELEPHONE COMPANY, INC.
552351	LINCOLN COUNTY TELEPHONE SYSTEM, INC.
432016	PANHANDLE TELEPHONE COOPERATIVE, INC.
472423	INLAND TELEPHONE COMPANY-ID

BEFORE THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

Docket No. 2012-136-C

In Re: Office of Regulatory Staff Petition to)
 Review FCC Mandated Reductions to)
 Intrastate Access Tariffs)

**CERTIFICATE
OF SERVICE**

I, ElizaBeth A. Blich, do hereby certify that I have this date served one (1) copy of the attached letter in the above-referenced docket upon the following parties causing said copy to be deposited with the United States Postal Service, first class postage prepaid and properly affixed thereto, and addressed as follows:

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December 12, 2012
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